

THE JUDICIARY, STATE OF HAWAII

**REQUEST FOR PROPOSALS
NO. J06159**

**FOR PROVIDING
THE FINANCIAL AND COMPLIANCE AUDIT OF
THE JUDICIARY, STATE OF HAWAII
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

May 2006

**REQUEST FOR PROPOSALS
NO. J06159**

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THE JUDICIARY, STATE OF HAWAII
HONOLULU, HAWAII

MAY 4, 2006

REQUEST FOR PROPOSALS
NO. J06159

COMPETITIVE SEALED PROPOSALS FOR PROVIDING
THE FINANCIAL AND COMPLIANCE AUDIT OF
THE JUDICIARY, STATE OF HAWAII
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

will be received up to 2:00 p.m. HST

on

JUNE 2, 2006

in The Judiciary, State of Hawaii, Financial Services Office, Kauikeaouli Hale, 1111 Alakea Street, 6th Floor, Honolulu, Hawaii 96813.

Persons or organizations submitting proposals must submit FOUR (4) copies (1 original plus 3 copies) of their proposal to the above address and prior to the date and time above. A copy of the Judiciary requirements may be obtained from the above address or from our Judiciary website (www.courts.state.hi.us, go to General Information, Business with the Judiciary”). Proposals received after the date and time specified above or at a location other than the location specified above will not be considered.

Technical questions regarding this solicitation may be directed to Tom Mick in the Judiciary Internal Audit Office at (808) 539-4242 or FAX 539-4020, or Email at tom.w.mick@courts.state.hi.us. Other questions may be directed to Newton Sakamoto in the Contract & Purchasing Office, at (808) 538-5805 or FAX (808) 538-5802, or Email at newton.t.sakamoto@courts.state.hi.us.

Janell Kim
Financial Services Administrator

NOTICE TO OFFERORS

The Judiciary, State of Hawai'i is requesting competitive sealed proposals for PROVIDING THE FINANCIAL AND COMPLIANCE AUDIT OF THE JUDICIARY, STATE OF HAWAII FOR THE FINANCIAL FISCAL YEAR ENDED JUNE 30, 2006.

REQUEST FOR PROPOSALS: Offerors must submit their proposals no later than 2:00 p.m. H.S.T. on June 2, 2006.

All bids and proposals are due to the following address:

The Judiciary, State of Hawaii
Financial Services Office
Kauikeaouli Hale
1111 Alakea Street, 6th Floor
Honolulu, Hawaii 96813-2807

A copy of the Judiciary requirements may be obtained from the above Financial Services Office or from our web site (www.courts.state.hi.us, go to General Information, Business with the Judiciary). Proposals must be submitted in accordance with the accompanying instructions. Proposals received after the date and time specified above or at a location other than the location specified will not be considered.

Janell Kim
Financial Services Administrator

(<http://www.2.hawaii.gov/bidapps/>)

**THE FINANCIAL AND COMPLIANCE AUDIT OF
THE JUDICIARY, STATE OF HAWAII
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

SECTION ONE - INTRODUCTION AND SIGNIFICANT DATES

1.1 INTRODUCTION

The specifications contained herein are intended to describe the scope and nature of the work required of the Certified Public Accountant (hereinafter referred to as the "Contractor"), who is engaged by the Judiciary, State of Hawai'i (hereinafter referred to as the "Judiciary"), to conduct (1) a general audit of the financial transactions, books, and accounts of the Judiciary; (2) an examination of the internal control structure; and (3) an examination of the grant operations for grantee compliance with the applicable Federal and State laws, regulations, instructions, and circulars.

The audit is being conducted pursuant to Section 40-2, Hawai'i Revised Statutes, which requires the Judiciary to be responsible for the establishment and maintenance of its own internal control system.

Unless otherwise expressly provided in the contract, all provisions of these specifications and instructions shall be considered to be a part of the audit contract entered into by the Contractor and the Judiciary.

1.2 SIGNIFICANT DATES

ADVERTISEMENT	May 4, 2006
PROPOSALS DUE	2:00 p.m. HST, June 2, 2006
CONTRACT AWARD	June 16, 2006
COMMENCEMENT OF AUDIT	No Later than June 30, 2006
SUBMITTAL OF PRELIMINARY DRAFT	January 12, 2007
SUBMITTAL OF FINAL DRAFT	February 16, 2007

END OF SECTION

SECTION TWO - SCOPE OF WORK

2.1 OBJECTIVES

The objectives of the audit are to:

- A. Satisfy the audit requirements of the Office of Management and Budget Circular A-133;
- B. Provide a basis for an opinion by the Contractor on the fairness of the Judiciary's financial statements;
- C. Determine whether expenditures and other disbursements have been made and all revenues and other receipts to which the Judiciary is entitled have been collected and accounted for in accordance with the laws, rules and regulations, and policies and procedures of the Judiciary, the State of Hawai'i, and, where applicable, the Federal Government;
- D. Evaluate the Judiciary's internal control over financial reporting to determine whether there is effective control over and proper accounting of revenues, receipts, expenditures, disbursements, assets, liabilities, and federal award programs, and to comply with the applicable laws and regulations; and
- E. Determine whether the Judiciary has complied with the fiscal provisions of the grant agreements and with applicable laws, regulations, and federal circulars that may have a material effect on the combined financial statements and on major federal award programs.

2.2 STATEMENT OF WORK

The Contractor shall:

- A. Conduct a general audit of the financial transactions, books, and accounts of the Judiciary for the period July 1, 2005 to June 30, 2006. The term "general audit" means a test audit of the financial transactions for the period specified. The Contractor is not expected to verify every transaction but may perform the general audit based upon tests and samples. The general audit shall include tests of the financial data in each of the four circuits to provide the Contractor with a basis to report on the fairness of the financial statements and on whether expenditures and other disbursements have been made and all revenues and other receipts to which the Judiciary is entitled have been collected and accounted for in accordance with the laws, rules and regulations, and policies and procedures of the State of Hawai'i and the Federal Government;
- B. Examine the internal control structure to determine its adequacy in ensuring the proper financial reporting and accounting of revenues, receipts, expenditures, disbursements, assets, liabilities, and federal award programs; and
- C. Examine the federal financial award programs to determine Judiciary compliance with the fiscal provisions of its grant agreements, and with pertinent laws, regulations, and federal circulars.

2.3 STANDARDS

In the conduct of the audit, the Contractor shall adhere to the generally accepted auditing standards prescribed by the American Institute of Certified Public Accountants (AICPA), and with those standards and procedures set forth in the AICPA State and Local Government Committee's audit and accounting guide entitled Audits of State and Local Governmental Units (Revised Edition). The Contractor shall also conduct the audit in accordance with the standards for financial audits contained in the Comptroller General of the United States' Government Auditing Standards, and the provisions of the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments.

2.4 ACTIVITIES

2.4.1 **Legal Authority.** In ascertaining whether or not the financial transactions of the Judiciary are in compliance with applicable Federal and State laws, rules and regulations, administrative directives, and policies and procedures, the Contractor shall, at a minimum, become sufficiently knowledgeable with the applicable sections of the following reference documents:

A. Federal laws

- Title I of the Omnibus Crime Control and Safe Streets Act of 1968
- Justice Assistance Act of 1984 (Public Law 98-473)
- Anti-Drug Abuse Act of 1986 (Public Law 99-570)
- Anti-Drug Abuse Act of 1988 (Public Law 100-690)
- Omnibus Budget Reconciliation Act of 1993: Grants for State Court

B. Federal circulars

- Office of Management and Budget Circular A-87
- Office of Management and Budget Circular A-102
- Office of Management and Budget Circular A-133 (and supplement)

C. Constitution of the State of Hawai'i

D. Hawai'i Revised Statutes

(1) Laws having general application:

- Chapter 27 - State Functions and Responsibilities
- Chapter 42D - Grants, Subsidies, and Purchases of Services
- Chapter 91 - Administrative Procedure
- Title 7 - Public Officers and Employees

(2) Laws relating to fiscal matters:

- Chapter 29 - Federal Aid
- Chapter 102 - Concession of Public Property
- Chapter 103 - Expenditures of Public Money and Public Contracts
- Chapter 103D - Hawai'i Public Procurement Code
- Chapter 105 - Government Motor Vehicles
- Chapter 106 - Inventory, Accounting and Disposal of Government Assets
- Chapter 171 - Public Lands, Management and Disposition of
- Title 5 - State Financial Administration

(3) Laws relating to the Judiciary:

- Title 17 - Motor and Other Vehicles
- Title 32 - Courts and Court Officers

E. Session Laws of the State Legislature affecting the financial transactions of the Judiciary

The Contractor should give particular attention to Act 159, Session Laws of Hawai'i, 1974 (effective June 6, 1974) since the act clarifies the relationship of the Judiciary with the legislative branch and executive agencies. The act contains significant changes regarding such areas as budget preparation, expenditure control, and personnel administration which may affect recommendations made by the Contractor.

F. Applicable rules, regulations, and administrative directives issued by the following State agencies relating to financial transactions, accounting systems, and internal controls:

- (1) The Judiciary
- (2) Department of Accounting and General Services
- (3) Department of the Attorney General
- (4) Department of Budget and Finance
- (5) Department of Human Resources Development

G. Collective bargaining agreements affecting employees of the Judiciary

2.4.2 **Audit Workpapers.** All workpapers shall be prepared by the Contractor. At any time during and subsequent to the completion of the audit, the Contractor shall make available to the Judiciary, the General Accounting Office, the cognizant Federal audit agency, the U.S. Department of Justice, and the Office of Inspector General all workpapers developed during the audit for their inspection and review. Such workpapers include, but are not limited to, the following:

- A. The audit program and internal control questionnaire.
- B. The working trial balance.
- C. Schedules, computations, analyses, audit notes, confirmation letters and replies, and other data representing a record of work done in support of account transactions and balances, and systems analysis.
- D. Documents obtained relating to the examination.

The workpapers shall not be made available to others unless approved by the Judiciary. The workpapers shall be retained for a minimum of three (3) years from the date of the audit report, unless the Contractor is notified in writing by the Judiciary to extend the retention period.

2.4.3 **Discovery of Deficiencies.** If at any time during the examination of the accounts and systems of the Judiciary, the Contractor discovers (1) a deficiency in internal control or (2) a financial transaction that the Contractor determines to be highly unusual, illegal, or of such a nature as to require immediate correction, the Contractor shall immediately notify the Judiciary of this finding in writing. If the deficiency or transaction is of such a character requiring the expenditure of additional time or resources, the Contractor shall include an estimate of the additional time and cost in the notification, and shall proceed to complete the examination only upon written authorization of the Judiciary.

During field work, the Contractor shall discuss preliminary findings and recommendations, other than those described in the previous paragraph, with

appropriate/affected personnel.

- 2.4.4 **Progress Reports.** The Contractor shall make progress reports to the Judiciary at least once monthly and as requested by the Judiciary. The progress reports shall indicate whether the project is on schedule and the significant findings made to date.

- 2.4.5 **Preliminary Draft of Audit Report.** The Contractor shall prepare and submit a preliminary draft of the audit report in such number of copies as requested by the Judiciary, and discuss the same with the Judiciary.

The preliminary draft shall be delivered by the Judiciary to the different levels within the Judiciary affected by the audit for their review and comments. Upon request by the Judiciary, the Contractor shall meet with the affected Judiciary offices to discuss the preliminary draft of the report. The Contractor shall make any necessary changes to clarify or correct the findings and statements made in the preliminary draft of the audit report. The Contractor shall submit responses in writing to any comments made by the Judiciary.

- 2.4.6 **Final Audit Report.** The Contractor shall deliver copies of the final audit report to the Judiciary as provided in the contract. The distribution of the audit report shall be made by the Judiciary. The Contractor shall be considered to have completed all of the work required under the contract only upon delivery of a final audit report which is acceptable to the Judiciary.
- 2.4.7 **Consultation on Report Findings and Recommendations.** Upon completion of the work required, the Contractor shall be available for attendance at legislative hearings as may be necessary to testify on or to discuss the findings and recommendations contained in the final report.

- 2.4.8 **Report Form and Content.** The audit report shall be addressed to the Administrative Director of the Courts, and shall contain the following parts:

A. Title of report. The title of the report shall be as follows:

**THE JUDICIARY, STATE OF HAWAII
FINANCIAL STATEMENTS WITH
ACCOMPANYING INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
AND
INDEPENDENT AUDITORS' REPORT**

B. An introduction consisting of:

- (1) an explanation or statement of the purpose of the report, including a statement that the audit was made in accordance with the provisions of Office of Management and Budget Circular A-133;

- (2) the objectives of the audit;
 - (3) a brief description of the scope of the audit; and
 - (4) an outline of the organization of the material in the report.
- C. A table of contents.
- D. A report on financial statements consisting of:
 - (1) a statement of the Contractor's scope and opinion;
 - (2) management's discussion and analysis provided by the Judiciary;
 - (3) financial statements;
 - (4) supplementary statements, schedules, and comments; and
 - (5) a schedule of Federal financial assistance, showing the total expenditures for each Federal financial award program as identified in the Catalog of Federal Domestic Assistance.
- E. A report on the internal control structure consisting of:
 - (1) a statement of the Contractor's scope and an identification of the significant internal accounting controls and those controls designed to provide reasonable assurance that Federal financial award programs are being managed in compliance with the applicable laws and regulations;
 - (2) disclosure of all significant findings; and
 - (3) evaluation and recommendations.
- F. A report on compliance with requirements applicable to each major program and on internal control over compliance which contains a statement of positive assurance with respect to items tested for compliance with the applicable laws and regulations, including the laws and regulations pertaining to financial reports and claims to Federal agencies for advances and reimbursements; negative assurance for items not tested; a summary of all instances of noncompliance; and an identification of total amounts questioned, if any, for each Federal assistance award as a result of noncompliance, fraud, abuse, or illegal acts.
- G. Response of the Judiciary.

END OF SECTION

SECTION THREE - PROPOSAL FORMAT AND CONTENT

In preparing its proposal for the audit, the Offeror shall describe the following:

3.1 METHODOLOGY

The Offeror's intended plan, approach, method, and procedures for performing the audit. The Offeror shall outline the proposed phases and steps to be followed and the tests and standards to be used in performing the work.

3.2 DESCRIPTION OF FIRM

The Offeror's background, staff, previous work, and external quality control reviews, as outlined below:

3.2.1 Background

- A. Describe the nature of services provided by the firm.
- B. Show how the firm is organized to manage the operation of the audit

3.2.2 Staff

- A. Provide the total full-time staff currently employed by the firm in Hawai'i by categories (type of services and staff classification).

3.2.3 Previous Work

- A. Describe briefly any work done (especially the experience of the local office) which is similar or related to the audit called for by these specifications.
- B. Provide titles of previous reports or publications.

3.2.4 External Quality Control Reviews

- A. Provide the date and results of the most recent quality control review performed on the firm's internal quality control system.

3.3 RESOURCES TO BE USED

The resources that the Offeror intends to commit to the work, including the name and qualifications of, the scope of the work contemplated for, and the amount of time to be devoted by each of the firm's personnel. Information on continuing professional education, especially in governmental accounting and auditing, should be provided for the key personnel assigned to the audit. The Contractor may not subcontract, hire, or retain other CPA's or practitioners to assist in performing the audit.

3.4 TIME PERIOD OF EXAMINATION

The Offeror's estimate of the time required to complete the work in accordance with the time table set forth in "SIGNIFICANT DATES", Section 1.2 of this RFP.

3.5 COST OF EXAMINATION

The cost of the audit shall be itemized, as follows:

- A. Staff and other technical services, including the fee rates and amounts by staff classification.
- B. Travel.
- C. Report printing.
- D. Other costs not otherwise allocable to the above.
- E. Total proposed fee.

3.6 ADDRESS WHERE EXAMINATION WILL BE CONDUCTED

The Offeror shall specify the name of the office and address where it will conduct the audit activities. If work will be done at more than one office, the Offeror shall list the name and address of each office.

END OF SECTION

SECTION FOUR - EVALUATION CRITERIA AND CONTRACTOR SELECTION

4.1 EVALUATION CRITERIA

All proposals shall be evaluated by the Selection Committee using the following criteria and pursuant to Section 4.2 of the Procedural Requirements (Attachment A of this RFP). Best and final offers shall be allowed when applicable. The recommendation for contract award will be made to the responsible Offeror whose proposal is determined in writing to provide the best value to the Judiciary, based on the criteria below.

An in-depth analysis and review of all offers will be based on the criteria below and their associated points. The total number of points used to score this proposal shall be **130**.

- A. Perceived understanding of the audit objectives by the firm (10 points);
- B. Technical soundness of the planned approach and time required to complete the audit (30 points);
- C. Qualifications of the audit firm (20 points);
- D. Qualifications of the audit team (40 points); and
- E. Proposed fee (30 points).

4.2 CONTRACT AWARD

- A. The Judiciary reserves the right not to award a contract should the evaluation committee determine that none of the proposals are acceptable.
- B. Due to limited availability of funds, the Judiciary may enter into negotiations for its staff to provide assistance to the Contractor in exchange for a reduced audit fee.

END OF SECTION

SECTION FIVE - SPECIAL PROVISIONS

5.1 JUDICIARY CONTACT PERSON

The Officer-in-Charge for this contract is:

Tom Mick, Audit Manager
The Judiciary, State of Hawaii
Internal Audit Division
426 So. Queen Street, Room B4
Honolulu, Hawaii 96813

Telephone: 539-4242

Fax: 539-4020

5.2 SUBMITTAL OF PROPOSAL

- 5.2.1 All proposals for conducting the audit as outlined herein shall be submitted to The Judiciary in FOUR (4) copies (1 original plus 3 copies) at the following address:

The Judiciary, State of Hawai'i
Financial Services Office
Kauikaouli Hale
1111 Alakea Street, 6th Floor
Honolulu, Hawai'i 96813-2807

(NOTE: To enter the building, proceed through the plaza level security checkpoint up to the 6th floor.)

- 5.2.2 Proposals shall be submitted to the Judiciary not later than the date and time set forth in "SIGNIFICANT DATES", Section 1.2 of this RFP.

- 5.2.3 **Wage Certificate.** (Not Applicable for Professional Services)

5.3 REQUIRED CERTIFICATES

5.3.1 Tax Clearance Certificate

Pursuant to §103D-328, HRS, prior to the execution of the contract, the successful OFFEROR shall be required to submit a tax clearance certificate issued by the Hawaii State Department of Taxation (DOTAX) and the Internal Revenue Service (IRS). The certificate is valid for six (6) months from the most recent approval stamp date on the certificate and must be valid on the date received by the Judiciary.

The Contractor is required to submit a tax clearance certificate for final payment on the contract. A tax clearance certificate, not over two months old, with an original green certified copy stamp, must accompany the invoice for final

payment on the contract. The tax clearance application may be obtained from the following site: <http://www.state.hi.us/tax/2003/a6.pdf> or by Fax/Mail at (808) 587-7522 or 1-800-222-7572.

5.3.2 Certificate of Compliance

Pursuant to §103D-310(c), HRS, prior to the execution of the contract, the successful OFFEROR shall be required to submit an approved certificate of compliance issued by the Hawaii State Department of Labor and Industrial Relations (DLIR). The certificate is valid for six (6) months from the date of issue and must be valid on the date it is received by the Judiciary.

The certificate of compliance shall be obtained on the State of Hawaii, DLIR *APPLICATION FOR CERTIFICATE OF COMPLIANCE WITH SECTION 103D-310(c), HRS, Form LIR#27* which is available at www.dlir.state.hi.us/LIR#27.

5.3.3 Certificate in Good Standing

Prior to execution of contract, OFFEROR must comply as follows:

Hawaii Business. A business entity referred to as a “Hawaii Business”, is registered and incorporated or organized under the laws of the State of Hawaii. As evidence of compliance, OFFEROR shall submit a *CERTIFICATE OF GOOD STANDING* issued by the Department of Commerce and Consumer Affairs, Business Registration Division (BREG). A Hawaii business that is a sole proprietorship, however, is not required to register with the BREG, and therefore not required to submit a certificate. An OFFEROR’s status as sole proprietor or other business entity and its business street address indicated on the Offer Form (OF-1) will be used to confirm that the OFFEROR is a Hawaii business.

Compliant non-Hawaii business. A business entity referred to as a “compliant non Hawaii Business” is not incorporated or organized under the laws of the State of Hawaii but is registered to do business in the State. As evidence of compliance, OFFEROR shall submit a *CERTIFICATE OF GOOD STANDING*.

To obtain a *CERTIFICATE OF GOOD STANDING* go online to: www.BusinessRegistrations.com and follow the prompt instructions. To register or obtain a “*CERTIFICATE OF GOOD STANDING*” by phone, call (808) 586-2727 (M-F 7:45 to 4:30 HST). The “*CERTIFICATE OF GOOD STANDING*” is valid for six months from date of issue and must be valid on the date it is received by the Judiciary. Offerors are advised that there are costs associated with registering (\$25.00 - \$100.00) and obtaining a “*CERTIFICATE OF GOOD STANDING*” (\$25.00) from the DCCA.

5.3.4 Timely Submission of all Certificates.

The above certificates should be applied for and submitted to the Judiciary as

soon as possible. If a valid certificate is not submitted on a timely basis upon award of a contract, an offer otherwise responsive and responsible may not receive the contract. Valid certificates may be submitted with your sealed proposal at the due date and time.

5.3.5 Final Payment Requirements.

In addition to a tax clearance certificate an original “*CERTIFICATE OF GOOD STANDING for FINAL PAYMENT*” (SPO Form 22) will be required for final payment. A copy of the form is also available at:
<http://www2.hawaii.gov/StateFormsFiles/Form22.pdf>

5.4 BUDGET LIMITATIONS

5.4.1 Method of Payment. The method of payment for services provided by the Contractor, whether in lump sum or in increments, shall be agreed to mutually by the Contractor and the Judiciary. Should progress or incremental payments be agreed upon as the method of payment, the following conditions shall apply:

- A. The amount of each progress or incremental payment shall be subject to agreement.
- B. Each request for progress or incremental payment shall be accompanied by a certified statement of the costs actually incurred; such costs shall be displayed by appropriate categories.
- C. In no event shall final payment be made except upon the delivery of the final draft of the audit report acceptable to the Judiciary and upon compliance by the Contractor with the requirements of Section 103-53, Hawai'i Revised Statutes, relating to tax clearances.

The Judiciary reserves the right to determine and prescribe such other conditions as are appropriate under which progress payments shall be allowed.

5.5 TIME LIMITATIONS

The timetable set forth in "SIGNIFICANT DATES", Section 1.2 of this RFP, shall be followed to the closest extent possible. However, this timetable may be modified by the Judiciary upon justifiable reasons submitted in writing by the Contractor and upon the Judiciary finding that such modifications would not jeopardize the successful completion of the audit.

5.6 PROFESSIONAL ERRORS AND OMISSIONS

The Contractor understands that it is subject to liability, under applicable law, for any professional errors and omissions which may occur in connection with this Contract.

The Contractor shall obtain and keep in force throughout the period of this Contract, or any extension of service, a professional errors and omissions liability insurance policy issued by a company authorized to do business in the State of Hawai'i. The Contractor shall furnish the Judiciary with evidence that the Contractor maintains such insurance.

5.7 CONTRACT EXTENSION

Auditing services provided under this Contract may be extended through the process of negotiation between the Contractor and Judiciary for TWO (2) additional fiscal years without the necessity of soliciting a request for sealed proposals. However, the price negotiated for each additional fiscal year shall not exceed the contract price for the initial year.

5.8 INTERPRETATION

In case of any dispute as to the meaning of any provision of this Contract, the interpretation by the Judiciary through its Administrative Director of the Courts shall control, subject to good faith negotiation with the Contractor.

5.9 STRICT PERFORMANCE

The parties, by this Contract, recognize that the Judiciary has a right to insist upon strict performance by the Contractor. Any failure by the Judiciary to insist upon strict performance of any provisions of this Contract, or to exercise any right based upon a breach thereof, or the acceptance of any performance during any such breach, shall not constitute a waiver of any rights of the Judiciary under this Contract.

END OF SECTION

SECTION SIX - ATTACHMENTS

ATTACHMENT A - PROCEDURAL REQUIREMENTS DATED MAY 2003

ATTACHMENT B - GENERAL CONDITIONS DATED FEBRUARY 2001

ATTACHMENT C - SAMPLE AGREEMENT

ATTACHMENT D - PUBLICATION-1 (INFORMATION ON HAWAII STATE TAXES)

ATTACHMENT E - TAX CLEARANCE APPLICATION

ATTACHMENT C - SAMPLE AGREEMENT

CONTRACT NO. J06159

**AGREEMENT FOR THE FINANCIAL AND COMPLIANCE AUDIT
OF THE JUDICIARY, STATE OF HAWAII
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

THIS AGREEMENT is made this _____ day of _____ 2006, by and between THE JUDICIARY, STATE OF HAWAII, by its Administrative Director of the Courts, hereinafter referred to as the "JUDICIARY," and _____, whose business address is _____, hereinafter referred to as the "CONTRACTOR".

WITNESSETH THAT:

WHEREAS, the Single Audit Act Amendments of 1996 (P.L. 104-156) requires state and local governments that expend \$300,000 or more a year in Federal awards to have an independent audit made for that year;

WHEREAS, the JUDICIARY has elected to have the audit required under the Single Audit Act Amendments of 1996 to cover the individual divisions that receive, expend, or otherwise administer Federal financial assistance;

WHEREAS, Section 40-2, Hawai'i Revised Statutes, requires the JUDICIARY to be responsible for its internal control system;

WHEREAS, money has been appropriated for the services under this Agreement pursuant to Section 3 of Act 110, 2005 Session Laws of Hawai'i;

WHEREAS, the CONTRACTOR submitted a responsible competitive sealed proposal in response to the JUDICIARY's Request For Proposal No. J06159 dated May 2006 for "THE FINANCIAL AND COMPLIANCE AUDIT OF THE JUDICIARY, STATE OF HAWAII FOR THE FISCAL YEAR ENDED JUNE 30, 2006";

WHEREAS, the CONTRACTOR is an accounting firm, consisting of certified public accountants, which has had considerable experience in public accounting and governmental finances and is capable of performing the services required under this Agreement; and

NOW, THEREFORE, the CONTRACTOR agrees to perform such auditing services as hereinafter set forth, and the JUDICIARY, in consideration thereof, agrees to pay the CONTRACTOR such amounts as are hereinafter specified, all upon the following terms and conditions:

1. **SCOPE OF WORK.** Except as otherwise expressly provided in this Agreement, the CONTRACTOR shall perform all of the work specified and comply with all of the provisions enumerated in the REQUEST FOR PROPOSALS NO. J06159, FOR PROVIDING THE FINANCIAL AND COMPLIANCE AUDIT OF THE JUDICIARY, STATE OF HAWAII, FOR THE FISCAL YEAR ENDED JUNE 30, 2006, dated May 2006 issued by The JUDICIARY, State of Hawai'i (hereinafter referred to as the "Request") and in the proposal dated _____, submitted by the CONTRACTOR in response to the Request (hereinafter referred to as the "Proposal"). A copy of the Request is attached as Exhibit "A" and a copy of the Proposal is attached as Exhibit "B" and made a part hereof. If any of the terms and provisions of the Request and the Proposal are inconsistent with the provisions of this Agreement, the provisions of this Agreement shall

control.

The general audit of the transactions, books, and records of all funds and accounts of the JUDICIARY for the period July 1, 2005 to June 30, 2006, to be conducted by the CONTRACTOR shall include all such services necessary to comply with the Request.

2. **AUDIT PERSONNEL.** The services to be performed by the CONTRACTOR shall be rendered by or under the personal supervision of competent Certified Public Accountants, experienced in governmental auditing, who will faithfully perform their work with care and diligence. In the performance of the services contemplated, the CONTRACTOR shall employ or use personnel of such experience and classes devoting such time to the audit as specified in the Proposal.
3. **SUBCONTRACT.** The CONTRACTOR may not subcontract, hire, or retain other Certified Public Accounting firms or practitioners to assist in performing the audit without the prior written approval of the JUDICIARY by the Administrative Director of the Courts.
4. **REPORT.** The CONTRACTOR shall report to the JUDICIARY at least once monthly and at such other times as requested by the JUDICIARY on the progress of the audit. Upon completion of the audit, the CONTRACTOR shall prepare and submit to the JUDICIARY copies of a preliminary draft of the report, in an amount specified by the JUDICIARY, on or before January 12, 2007. Upon acceptance of the preliminary draft by the JUDICIARY, CONTRACTOR shall finalize the audit report and submit twenty-five (25) copies of the final audit

report to the JUDICIARY before February 16, 2007.

5. **TERM OF AGREEMENT.** The term of this Agreement shall commence when the JUDICIARY provides CONTRACTOR with the Notice to Proceed immediately following the execution of this Agreement. The term of this Agreement shall end on June 30, 2007.

6. **PAYMENT.**

- a. The JUDICIARY shall pay the CONTRACTOR for the services rendered under this Agreement, a fee based upon the actual work-hours expended in providing the services according to the schedule of charges contained in the Proposal. In addition, the JUDICIARY shall reimburse the CONTRACTOR for the following out-of-pocket expenses actually incurred by the CONTRACTOR, and approved by the JUDICIARY, while performing the services required under this Agreement.

- (1) Inter-island travel expenses for personnel who must travel to an island other than the island on which their assigned office is situated, including direct air travel costs, taxi and ground transportation, and a per diem allowance of \$80.00 per day incurred while on travel status.
- (2) Miscellaneous expenses, such as the costs of report reproduction and long distance telephone calls.

- b. The total fee for services rendered, including all out-of-pocket expenses, shall not exceed _____ (\$_____).
- JUDICIARY shall pay CONTRACTOR in monthly increments, the first

increment becoming due after June 30, 2006. The total amount paid to CONTRACTOR during the period from June 30, 2006 through February 16, 2007, shall not exceed seventy-five percent (75%) of the total amount of this Agreement. The final payment shall be made upon satisfactory completion of all requirements of this Agreement and Exhibits "A" and "B" hereof. All payments are subject to "BUDGET LIMITATIONS", set forth in Section 5.4 of the Request.

- c. Payment shall be made upon presentation of an invoice received from the CONTRACTOR specifying to the satisfaction of the Administrative Director of the Courts that the work under this Agreement has been performed in conformance with this Agreement, and that the CONTRACTOR is entitled to receive the amount requisitioned under the terms of the Agreement.
- d. Pursuant to Section 103-53, Hawaii Revised Statutes, final payment under this Agreement shall be made only upon receipt of a tax clearance obtained by the CONTRACTOR from the Director of Taxation, State of Hawai'i, and the Internal Revenue Service.

- 7. **AMENDMENTS.** Auditing services provided under this contract may be amended at any time upon mutual agreement of the parties. Any amendment shall not be valid unless in writing and signed by the parties. If the CONTRACTOR finds that the condition of the records and the system of internal controls or other circumstances disclosed by the audit examination make it necessary to extend the scope of the examination, or indicate that a more detailed

examination is required in addition to that which would be sufficient under ordinary circumstances, the CONTRACTOR shall so notify the JUDICIARY in writing. The notification shall include all ascertainable facts relative to the extraordinary circumstances and an estimate of the additional services required and the costs thereof. The JUDICIARY may, whenever it deems advisable, request the CONTRACTOR to extend the scope of the examination or make a more detailed examination. However, no such additional services shall be performed by the CONTRACTOR until a written authorization is received from the JUDICIARY. Such authorization shall contain the additional scope of work or examination to be performed and the additional compensation to be paid, and shall be signed by the parties.

8. **ENTIRE AGREEMENT.** This Agreement constitutes the entire agreement between the parties, any oral or written statement to the contrary notwithstanding. No oral or written communication between the parties which is not expressly included herein, or incorporated by reference, shall be a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date first written above.

THE JUDICIARY, STATE OF HAWAII

By _____
Thomas R. Keller
Administrative Director of the Courts

CONTRACTOR

By _____
Its

APPROVED AS TO FORM:

Staff Attorney
The Judiciary, State of Hawai'i

STATE OF HAWAII)
)
)
CITY AND COUNTY OF HONOLULU)

On this _____ day of _____ 2006, before me appeared _____
_____ to me personally known, who, being by me duly sworn, did say that he is
the _____ of _____
and that the seal affixed to the foregoing instrument is the corporate seal of said corporation;
and that said instrument was signed in behalf of said corporation by authority of its Board of
Directors, and the said instrument to be the free act and deed of said corporation.

Notary Public
First Judicial Circuit
State of Hawai'i

My commission expires:

CONTRACT CERTIFICATION

I hereby certify that there is an available balance in the appropriation named below
sufficient to cover the obligation of The JUDICIARY, State of Hawai'i, under this Contract No.

J06159 with _____.

Appropriation _____.

Dated _____

Financial Services Administrator
The Judiciary, State of Hawai'i